

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA

REPORT ON TARGET EXAMINATION

as of

DECEMBER 31, 2004

of

**ALFA LIFE INSURANCE
CORPORATION**

MONTGOMERY, ALABAMA

PARTICIPATION:

Alabama

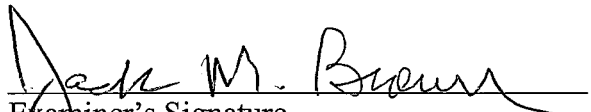
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION

State of Alabama,
County of Montgomery,

Jack M. Brown, CFE, being duly sworn, states as follows:


1. I have authority to represent the State of Alabama, Department of Insurance in the examination of Alfa Life Insurance Corporation.
2. The Alabama Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.
3. I have reviewed the examination work papers and examination report, and the examination of Alfa Life Insurance Corporation was performed in a manner consistent with the standards and procedures required by National Association of Insurance Commissioners and State of Alabama.

The affiant says nothing further.


Examiner's Signature

Subscribed and sworn before me by Jack M. Brown on this 30th day of
June, 2005.

(SEAL)


Notary Public

My commission expires 11/2/05 [date].

EXAMINATION AFFIDAVIT

STATE OF ALABAMA
COUNTY OF MONTGOMERY

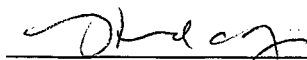
Harland A. Dyer being first duly sworn, upon his oath deposes and says:

That he is an examiner appointed by the Commissioner of Insurance for the State of Alabama;

That a target examination was made of the actuarial recommendations of the financial examination as of 2001 of Alfa Life Insurance Corporation to determine compliance with those recommendations;

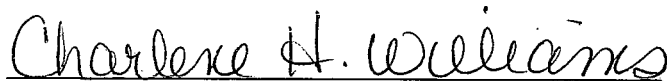
That the following 7 pages constitute the report thereon to the Commissioner of Insurance of the State of Alabama;

And, that the statements, exhibits, and data therein contained are true and correct to the best of his knowledge and belief.



Harland A. Dyer
Examiner-in-charge

Subscribed and sworn to before the undersigned authority this 30th day of June, 2005.



(Signature of Notary Public)

Charlene H. Williams, Notary Public
Printed name

in and for the State of Alabama

My commission expires 6-5-07

Montgomery, Alabama
June 30, 2005

Honorable Jose Montemayor
Chairman, Examination Oversight Task Force
Texas Department of Insurance
P.O. Box 149104
Austin, TX 78714-9104

Honorable Alfred W. Gross
Secretary Southeastern Zone
Virginia Bureau of Insurance
P.O. Box 1157
Richmond, Virginia 23218

Honorable Walter A. Bell
Commissioner of Insurance
Alabama Department of Insurance
Post Office Box 303350
Montgomery, Alabama 36130-3350

Dear Commissioner Bell:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, an examination has been made of the affairs and condition of

**Alfa Life Insurance Corporation
Montgomery, Alabama**

as of December 31, 2004, at its home office located at 2108 East South Boulevard, Montgomery, Alabama 36116. The report of examination is submitted herewith.

Where the term, Company, appears herein without qualification, it is synonymous with Alfa Life Insurance Corporation.

SCOPE OF EXAMINATION

The target examination reported herein covers the period from December 31, 2001 through December 31, 2004, and has been conducted by an examiner representing the Alabama Department of Insurance. Events subsequent to December 31, 2004, have not been reviewed since this is a target examination addressing only two actuarial issues.

The Company has been examined in accordance with the statutory requirements of the Alabama Insurance Code and the regulations and bulletins of the Alabama Department of Insurance; in accordance with the applicable guidelines and procedures of the NAIC; and in accordance with generally accepted examination standards; all as appropriate to a target examination of the two actuarial issues being addressed.

The examination included a targeted review of the Company's changes with regard to the two actuarial items addressed in the examination as of December 31, 2001.

ORGANIZATION AND HISTORY

The Company Charter is the product of a merger of Federated Guaranty Life Insurance Company (FGL) into Cotton States Life Insurance Company (CSL) effective December 31, 1973. FGL was incorporated on October 22, 1971 in Montgomery County, Alabama. CSL was incorporated on December 31, 1954 in Dallas County, Alabama. The name, Federated Guaranty Life Insurance Company was retained by the surviving entity. At the time of the merger, Alabama Farm Bureau Mutual Casualty Insurance Company (currently, Alfa Mutual Insurance Company (AMI)) owned 57.8% of FGL.

On January 4, 1983, the holding company now named Alfa Corporation was incorporated in Delaware under the name Federated Guaranty Corporation. At that time, the stock of the Company and the stock of its property and casualty subsidiary, Alfa Insurance Corporation (formerly, Federated Guaranty Insurance Company), was contributed to Alfa Corporation.

Effective May 1, 1987, the Alabama Farm Bureau Federation withdrew from the national Farm Bureau Federation, of which it was a franchise member, and changed its name to Alabama Farmers Federation. The names of all the insurance companies within the group also changed. The name of the Company was changed to Alfa Life Insurance Corporation.

At December 31, 2004, the Company had paid up capital of \$4,211,498, represented by 4,211,498 shares of common stock of a par value of \$1.00 per share. Paid in surplus consisted of \$13,131,498.

GROWTH OF THE COMPANY

The following schedule presents financial data, which reflect the growth of the Company for the years indicated:

<u>Year</u>	<u>Premium Income</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>
2000	88,062,196	684,106,358	543,619,490	140,486,868
2001	90,404,721	723,464,769	577,144,955	146,319,825
2002	98,232,637	762,662,793	630,194,459	132,468,334
2003	103,523,738	834,387,350	689,553,285	144,834,065
2004	105,765,386	904,589,275	742,597,235	161,992,040

Data for the years 2000 through 2004 are from the annual statements of the Company.

TERRITORY

As of December 31, 2004, the Company was licensed to transact insurance business in the following jurisdictions:

Alabama	Arkansas	Florida
Georgia	Louisiana	Mississippi
Missouri	North Carolina	South Carolina
Tennessee	Virginia	

HOLDING COMPANY AND AFFILIATES

Holding Company Registration and Reporting

The Company is deemed to be subject to the Alabama Insurance Holding Company Regulatory Act of 1973, as defined in Section 27-29-1, *Code of Alabama*, 1975. The Company is responsible for holding company registration and periodic informational filings with the Alabama Department of Insurance, in accordance with Section 27-29-4, *Code of Alabama*, 1975, and Alabama Department of Insurance *Regulation Number 55*.

MANAGEMENT AND CONTROL

Stockholders

The sole stockholder of the Company is Alfa Corporation, a Delaware corporation. Controlling interest in Alfa Corporation (51.8% at December 31, 2001) was held by the three Alfa mutual insurance companies: Alfa Mutual Insurance Company 41.27%; Alfa Fire Insurance Company 10.31%; and Alfa Mutual General Insurance Company .22%. The remaining 48.2% of the stock was publicly held.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

It appears that the Company has complied with the recommendations regarding the excess interest whole life insurance policy's unearned premium reserves and the reclassification of the accidental death benefit policy reserves from life insurance reserves to accident and health insurance reserves as recommended by the examination report as of December 31, 2001.

COMMENTS

Aggregate Reserve for Life Contracts

The Company is monitoring the unearned premium reserves for its excess interest whole life reserves based upon an exact premium date of the policy calculation and the assumption of all policies being issued on the first day of the month in order to determine the reasonableness of that assumption in accordance with the recommendation from the 2001 Examination Report.

Aggregate Reserve for Accident and Health Contracts


The Company has reclassified the reserves on the accidental death benefit insurance policy from life insurance reserves to accident and health insurance reserves in accordance with the recommendation from the 2001 Examination Report.

CONCLUSION

Acknowledgement is hereby made of the courtesy and cooperation extended by representatives of **Alfa Life Insurance Corporation** during this examination.

The customary examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent appropriate in connection with the target examination.

Respectfully submitted,
June 30, 2005


Harland A. Dyer, ASA, MAAA
Examiner-in-Charge
Alabama Department of Insurance